

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
JUNE 18, 1996
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on June 18, 1996 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Byron G. Cudmore, Gayl S. Pyatt and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph C. Haughey, Thomas Swaik and Kevin Lockhart, Chief Legal Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

- 1. Issues Concerning Applicants and Licensees**
- 2. Recommendations of Administrative Law Judges**
- 3. Pending and Probable Litigation Matters**
- 4. Investigatory Matters**
- 5. Personnel Matters**
- 6. Closed Session Minutes**

Member Cudmore seconded the motion. The Board adopted the motion by unanimous consent.

The Board reconvened in Open Session at 12:50 p.m.

Member Browder moved **that the Board approve the minutes from the open and closed sessions of the May 20 and 21, 1996 regular meeting.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman Johnson noted that the minutes correctly reflected a statement he made that casinos currently are not charging patrons for cashing personal checks. He has recently become aware that owner licensees charge, on occasion. He stated that he will continue to review this subject matter.

The next order of business was the Administrator's Report.

Administrator Belletire reported that Adjusted Gross Receipts ("AGR") for May 1996 totaled \$103.48 million -- virtually identical to the April 1996 monthly tally. Receipts for May were 2 percent above the May 1995 total. Attendance in May was approximately 2 percent above year ago figures. Empress as well as each of the downstate boats had May 1996 figures below May 1995 results.

Silver Eagle became operational in the later part of May and did not contribute significantly to the monthly AGR figures. Two Indiana riverboats became operational in June in Gary, Indiana. The Administrator predicts the June Illinois figures will reflect the impact of the opening of these Indiana operations. In July the Empress - Hammond will also become operational.

The Administrator stated that the Indiana Gaming Commission invited several IGB staff members to be aboard the shakedown cruises conducted in early June. Staff reported that events of the day went smoothly.

The legislative session ended in May with no gaming measures advancing to the Governor's desk. The agency's appropriation bill was cut back from the requested level. The approved budget provides for a 3.4 percent increase in spending authority over the fiscal year ended June 30, 1995.

The Administrator reported that Argosy finalized its placement of \$235 million in First Mortgage Notes on June 5. The notes bear 13 $\frac{1}{4}$ percent interest and mature in the year 2004. This transaction, along with recent approvals by the Coast Guard, should enable Argosy to complete its initial work on its Lawrenceburg, Indiana site. On June 28 Argosy will give a status report to the Indiana Gaming Commission.

The Administrator further reported that The Better Government Association, in conjunction with two university professors, has released a study on the economic impact of gambling. The study concludes that riverboat casinos have a negative impact on the local (host riverboat community) and state economies. A copy of the report was provided to Board members. Staff continues to work on its own analytical report. Administrator Belletire stated that he finds significant fault with various assumptions and methodological steps employed by these researchers.

The Administrator responded to Chairman Johnson's earlier statements about check cashing policies, ATM machines and credit card advances. The Administrator stated that he has written to the Illinois Riverboat Gaming Council and encouraged them to bring the Board more information about this subject.

Member Vickrey asked for a status report on the subject of required maintenance schedules. Deputy Administrator Haughey stated that owner licensees have until mid-July to respond. He will address this subject at the July Board meeting.

The next order of business was Items Concerning Owner Licensees.

Bill Sabo, President of Empress - Joliet highlighted Empress's accomplishments of the past twelve months and their plans for the upcoming year. Mr. Sabo stated that

over the past year Empress assisted the city of Joliet and Will County with economic development. They did so by assisting community based groups whose job it is to generate economic development both monetarily and with personnel. Internally the Empress has widened its customer base by generating patrons through bus tours. Mr. Sabo stated that Empress hosted the Easter Seal Telethon in February 1996 that raised \$175,000. They also donated \$50,000 as well as picking up all ancillary expenses. He further stated that through the Illinois Riverboat Gaming Council they participated in the responsible gaming initiatives "Operation Bet Smart" and "Project 21."

Dennis Brown, Chief Operating Officer of Empress - Joliet, talked about their commitment to the city of Joliet, the State of Illinois, the employees and guests of Empress to operate a first class gaming and entertainment complex. The Empress opened with a permanent facility on a 55 acre site. They currently are in the process of completing a \$6.5 million hotel -- the first riverboat complex in the Chicagoland area to have one. Empress feels this hotel will enhance motor coach patronage. He indicated motor coach operations currently bring in 20,000 patrons a year, primarily from within a 100 mile radius of Joliet. Mr. Brown stated that they also have an air program called "Gambler Spree" that brings in visitors from Detroit, Cleveland and Indianapolis. They believe the hotel will help them to expand their motor coach business up to a 500 mile radius and expand their "Gambler Spree" to the cities of Milwaukee, St. Louis and Cincinnati. They have made extensive improvements in their slot department such as new EGD machines with bill validators and new slot cabinets that will enable a three man operation to become a one man operation. Mr. Brown concluded by stating that the Empress commits to maintaining its market share in the Chicagoland area.

Mr. Sabo reported on the three areas of concerns the Board had at Empress's 1995 annual renewal. First, the Board requested that Empress undertake additional measures and commitments to the promotion of economic development within the greater Will County area. Mr. Sabo stated that plans for opening a riverboat center on a 100 acre plus business parcel located two miles from the Empress property are in the works. Also planned is a 382 acre development known as the Rock Run Business Park. This will be a business environment for warehouse distribution, manufacturing and office service needs. The closest neighbor to the Empress, the Village of Channahon, has experienced heightened interest and three substantial developments for single family homes and senior citizens are underway.

Secondly, the Board requested Empress that identify internal control difficulties and place increased emphasis upon the importance of employee integrity. Internally in 1995, the Empress launched an initiative to build a strong service inspired corporate culture based on the foundation values of integrity, caring and respect. To implement this, Empress developed a new department called Corporate Development. This department hires new employees who possess a high level of integrity. New employees then go through an extensive orientation program to fully indoctrinate all employees with the foundation values.

Thirdly, the Board requested Empress's cooperation in conducting and financing an economic impact analysis of gaming. Empress expects to complete the study this

year. It will cover capital investments, the annual amount of the budget spent on goods and services from local and other Illinois vendors, and the impact of the casino on other related retail sales.

Mr. Sabo concluded by requesting renewal of their owner's license.

Member Vickrey asked to here more information about the "Gambler Spree" program. Mr. Brown stated that the Empress charters Southwest Airlines to bring in approximately one city a month -- reserving 50 - 90 seats. The patron's day currently runs 10 - 12 hours and they hope to have overnight business with the new hotel. Mr. Vickrey approves of this program due to its promotion of Illinois tourism. Member Vickrey also asked for more information on the Rock Run Business Park. Mr. Sabo stated that it is a full utility parceled property at the inter-section of I80 and Houbolt Road. Member Vickrey asked what involvement the Empress has with the Rock Run Business Park. Mr. Sabo stated that although they do not have any financial investment in the park he feels that there is a rekindled interest in this area because of the location and success of the Empress. The Center for Economic Development for the Will County Chamber of Commerce brought the project to the forefront and is finding developers for it.

Chairman Johnson asked what impact Mr. Sabo projects Indiana gaming will have on the Empress. Mr. Sabo feels it is too early to make projections. John Costello, Chief Financial Officer for Empress, stated that staff has taken a look at their data base and found 8-10 percent of the Empress patrons reside in Northwest Indiana. Chairman Johnson asked questions about the inter-company debt between Empress - Joliet and Empress - Hammond. He asked what the pay back schedule is. Mr. Costello stated the first call date on this debt is not until 1999, and that absent a call, the debt will come due in 2002.

Joseph McQuaid, representing HP, Inc., requested renewal of their owner's license. Mr. McQuaid introduced various shareholders who were present to show their commitment and support of HP, Inc. He introduced Judith Gratton, Chairperson of Jo Daviess County Board. Ms. Gratton stated that the County Board supports the renewal of the Silver Eagle. Ms. Gratton feels that the Silver Eagle is an asset to the county and that HP, Inc. has fulfilled the Riverboat Gambling Act's requirements of economic impact and promoting tourism in Illinois. Ms. Gratton also addressed the relationship between HP, Inc. and the County Board since she last spoke at the January 1996 Gaming Board meeting. Ms. Gratton stated that Joe Duellman attended the April 9, 1996, County Board meeting at which time she invited him to attend the Executive Committee meeting in May. Mr. McQuaid attended both the May and June meetings. Ms. Gratton stated that communications have improved greatly between the Board and HP, Inc.

Helen Anderson, Chair of the Social and Environmental Committee, stated that HP, Inc. donated \$5000 to fund the compulsive addiction program in Jo Daviess County in 1995 and has agreed to donate the same amount in 1996.

John Rutherford, Jo Daviess County Board Member, stated that he supported HP, Inc. until they laid off their employees in 1995. He again supports HP, Inc. and stated they have been very cooperative in recent months.

Mr. McQuaid stated that operations resumed in Jo Daviess County on May 22. All laid-off employees who wished to come back were re-hired. He stated that shareholders are confident with the marketing programs in effect and that they will be able to meet their financial projections.

Michael Ficaro, representing Donald Flynn, a significant shareholder in HP, Inc., voiced Mr. Flynn's commitment to the Silver Eagle through his (Mr. Flynn's) infusion of capital to the company.

Chairman Johnson asked for complete financial projections based on the restated capital structure. Mr. Johnson also asked what steps were necessary to finalize Mr. Flynn's capital infusion commitment and to effectuate the proposed sale of the Silver Eagle vessel. Mr. Ficaro responded that all that was needed was the approval of the Illinois Gaming Board.

Member Cudmore asked what progress is being made in reference to the remediation of the wetlands at Frentress Lake. Mr. McQuaid stated the U.S. Fish and Wildlife Service is looking into obtaining core permits that are needed to complete the work. Mr. McQuaid stated that HP, Inc. is working in a positive way to remediate all issues, but indicated that certain of the work being requested is not the direct obligation of HP, Inc.

Edward Duffy, representing Charles Bidwill and Casino Queen, Inc., introduced several shareholders and requested renewal of their owner's license. Mr. Duffy stated that the Casino Queen has aided in turning an economically depressed area into a city that has dramatically enhanced financial viability. He feels Casino Queen is the cornerstone of economically reviving the city of East St. Louis.

Mayor Gordon Bush spoke about the impact Casino Queen has had on East St. Louis. He stated they were the catalyst for change -- a first class operation, committed to the employment and training of East St. Louis citizens. Of Casino Queen's 1200 employees, 30% are East St. Louis resident. Taxes paid in FY 95 topped \$10 million. Prior to the opening of the casino unemployment in East St. Louis stood at 25 percent and 60 percent of the residents qualified for public aid. Since Casino Queen opened unemployment has decreased to 11% and the number of public aid recipients has decreased by 10%. Crime in East St. Louis has also declined. There were 68 homicides in 1991 -- while only 10 homicides have occurred to date in 1996.

Casino Queen has assisted East St. Louis through taxes paid. Over the past three years, additional police officers and patrol cars have been added and the fire department has purchased three new fire trucks. Mayor Bush stated that the revenues of Casino Queen have greatly enhanced the fire safety in East St. Louis; sewer projects costing \$1.75 million dollars are complete; and, the city provided residents \$1.1 million in real estate tax relief.

The Casino Queen funds the "Casino Queen Community Development Foundation" by donating \$500,000 a year (\$1.25 million through 1995). This program supports charitable, religious, literacy, scientific and educational organization. It also provides grants to non-profit organizations providing activities for youth and senior citizens.

Mr. Duffy stated that the Board of Directors and management of Casino Queen stand committed to the city of East St. Louis. The Casino Queen's annual payroll is \$31 million with benefits totaling \$4 million. The average salary is \$26,000 a year plus benefits.

Member Browder asked what percentage of customers come from out of state. Mr. Duffy stated that about 60% are from out of state.

Chairman Johnson asked for an explanation on how Casino Queen can maintain 30 percent of the market share when Missouri has boats across the river. Mr. Duffy stated that they have a superior site demographically. When the river floods businesses located on the west side of the river must close. When people come to the Casino Queen they feel safe. The site is east to access and provides ample, convenient parking. Mr. Duffy stated that all of the above items as well as their marketing programs make them a successful operator.

Member Vickrey asked Mayor Bush to share his vision for the city of East St. Louis. Mayor Bush stated that when he ran for Mayor he pledged to clean up the city; to make the city safer; and, to build a foundation upon which he could help to rebuild the city. He feels that through the support of the IGB and Casino Queen they have laid the foundation. Mayor Bush sees East St. Louis as being a complement of St. Louis. They have 1500 acres of river front property to build and progress upon and are planning a 200 acre golf course for part of this area.

Michael Ficaro, representing Player's International Corporation, requested approval for reorganization of its subsidiaries. Chairman Johnson asked various questions about the tier system of this reorganization. He further requested financial information related to the new organization.

Member Pyatt moved **that the Board approve Player's International Corporation's restructuring of its subsidiaries but any contracts that will be entered into between SIRCC and Players Entertainment, Inc. must be approved by this Board.** Member Browder seconded the motion. Four members approved the motion. Chairman Johnson abstained.

Michael Unger, representing Alton Gaming Company, requested approval of Donald Retzlaff as a Key Person.

Member Cudmore moved **that the Board approve Donald Retzlaff as a Key Person of Argosy Gaming Company.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

The next order of business concerned Supplier Licensees.

Donna More, representing Aristocrat, Inc., requested renewal of its supplier's license.

Member Browder moved **that the Board approve Aristocrat, Inc.'s application for renewal of its Supplier's License**. Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Member Pyatt moved **that the Board approve Universal Distributing of Nevada, Inc.'s application for renewal of its Supplier's License**. In renewing the license, the Board imposes the following restriction on the license: **Universal Distributing of Nevada, Inc. is not permitted to sell any of its products to owner-licensees until such time that Universal's consolidated financial statements and corporate tax returns for 1995 have been received and reviewed by staff**. Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Member Browder moved **that the Board impose restrictions upon the current license of Bally Gaming, Inc. to become effective upon the closing date of the merger between Bally Gaming International, Inc. and Alliance Gaming ("Alliance")**. The restriction on the license will provide that:

1. **At the time of renewal Bally be treated as a new licensee; and,**
2. **Alliance be prohibited from, either directly or indirectly, acquiring any ownership interest or participating in the management or operation of any riverboat in Illinois.**

In imposing these restrictions on Bally's license, the Board clarifies that Bally will be able to continue to provide its products and equipment to Illinois owner-licensees until the date Bally's current license expires. Member Pyatt seconded the motion. Four Board members approved the motion. Member Vickrey voted present and encouraged all licensees who are on the agenda to be represented when appearing before the Board. Member Cudmore concurred.

The next order of business concerned Occupational Licensees.

Member Cudmore moved **that the Board approve 122 applications for an Occupational License, Level 2, and 251 applications for an Occupational License, Level 3, and deny 2 applications for an Occupational License, Level 2, and 4 applications for an Occupational License, Level 3**. Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

The next order of business concerned Administrative Hearings/ALJ Reports.

Member Pyatt moved **that the Board grant Glenn Moorner and Tim Moran's requests for reconsideration and dismiss the complaint issued against them. In granting these requests we considered that Messrs. Moorner and Moran have submitted letters apologizing for their prior actions, that they admitted that they violated the Internal Controls and that they recognize that they are subject to the Internal Controls.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Member Pyatt moved **that the Board deny the hearing request submitted by Gregory Dunlap due to his failure to comply with Board Rule 3000.405.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

The next order of business concerned Complaints and Disciplinary Action.

Member Cudmore moved **that the complaint for disciplinary action against Ellen Alaoui be issued and that her license be revoked. The complaint involves Ms. Alaoui's ineligibility to possess and occupational license due to her criminal history.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Member Cudmore moved **that the complaint for disciplinary action against Carolyn Howen be issued and that her license be revoked. The complaint involves Ms. Howen's ineligibility to possess and occupational license due to her criminal history.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Member Cudmore moved **that the complaint for disciplinary action against Alton Gaming Company be issued and that Alton be fined in the amount of \$25,000. The complaint involves Alton's failure to follow internal controls and other procedures represented in a memorandum to the Board which were developed to prevent underage persons from entering an area where gambling is being conducted and failure to avoid the placement of a wager by a minor.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman Johnson stated that the next scheduled Board meeting on July 23 may be lengthy. He also stated that the Board has scheduled an additional meeting for August 20.

There being no further business to come before the Board, Member Pyatt moved that the Board stand adjourned. Member Cudmore seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 2:53 p.m.

Respectfully Submitted,

Susan A. Offord
Secretary of the Board